


E X P E R I E N C E

A large commercial airplane, likely a Boeing 747, is shown in silhouette, flying from left to right across the frame. The aircraft is positioned in the middle ground, with its landing gear visible. Below the plane, the city skyline of San Antonio is silhouetted against a vibrant sunset sky. The sun is low on the horizon, creating a warm orange and yellow glow that transitions into a deep blue at the top of the image. The overall scene conveys a sense of travel and connectivity.

SAN ANTONIO AIRPORT SYSTEM
2003 YEAR IN REVIEW

E X C E L L E N C E

A Message from our Director

San Antonio is one of the nation’s top visitor destinations. Additionally, San Antonio has a healthy business environment with other top industries including biomedical and healthcare, military, and aerospace. Travelers come to our community for business reasons or to experience the area’s unique cuisine, celebrations, events and attractions.

To visitors and residents, the San Antonio International and Stinson Municipal Airports are the front and back door of the overall San Antonio experience. As such, our primary commitment is to provide excellence in customer service, state-of-the-art facilities, and safety and security. We recognize that these are an integral part of a traveler’s positive San Antonio experience. This philosophy is reflected in our on-going programs and future projects. From new terminal facilities designed for greater capacity, to new concessionaire services and technological amenities, we remain focused on giving our airport customers pleasant, memorable experiences.

During 2003, the aviation world was in a continued recovery mode following the events of September 11, 2001, the economic downturn of the past two years and the Iraq war. The year 2003 was one of “staying the course” for the San Antonio Airport System. Needed improvements to the existing facilities and airport user services and amenities, as well as the continued development of plans for future expansion of terminal gates, roadway systems, parking facilities, and airfield capacity at San Antonio International Airport (SAT), took center stage in 2003. Also, the process to design and develop new terminal offices and tenant space, as well as airfield expansion, at Stinson Municipal Airport continued in 2003.

I am pleased to say that our three-year program to renovate our terminal facilities and to institute a new concessions program, which we inaugurated as the “Shops at River Landing,” was completed in October 2003. Even before the completion of the “Shops at River Landing,” SAT received recognition by the Airport Revenue News’ 2003 Best Concessions Poll and took first place in the less

than 4 million enplanement category for the “Airport with the Most Innovative Services.” In the same airport category, San Antonio International was also the second place winner for the airport with the “Best Concessions Program Design.”

This national recognition and featured spot in the ARN magazine demonstrated that, by comparison to our peer airports, we were on our way to not only achieving but exceeding our goals. The credit goes to the City’s mayor, council, officials and participating City departments, especially the Aviation Department and its employees who worked diligently with hired contractors Unison-Maximus, Westfield Concessions Management, Durand-Hollis Rupe Architects/Marmon Mok Architects and Project Construction Manager Foster CM Group.

In order to meet future airport capacity requirements, an Airport Master Plan was completed in 1998. This Plan made recommendations to expand terminal and airfield capacity in an orderly manner to coincide with projected growth in passengers and aircraft operations.

The architectural team of 3D International/Corgan Associates, Inc., utilized the programming study and schematic designs, completed by Marmon Mok/Gensler, to start the process of layering in the exterior and interior structural design features for the new Terminals B and C. We plan to break ground for construction of Terminal B early in 2005.

During 2003, HNTB completed a programming study laying the ground work for a new 3000-space parking garage. City Council recently approved a contract with HNTB to complete construction plans with planned ground breaking to occur in 2005.

To implement the Master Plan airfield recommendations for capacity enhancements, an Environment Impact Statement (EIS) must first be conducted. The EIS process was started by the Federal Aviation Administration in 2003, with a record of decision expected in 2006.

Striving always to be a good neighbor, the City completed a Noise Study in 2002, as part of its continuing efforts to mitigate noise impacts on the surrounding areas. As a follow-up this past year, a Land Use Study was initiated to assist the City in planning and zoning for future developments near the airport.



Kevin C. Dolliole
Aviation Director



Stinson Municipal Airport

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Safety and security also continued to take center stage in 2003. The City's Aviation Department worked closely with the Transportation Security Administration (TSA) to ensure that meeting or exceeding critical federal security requirements was a priority. Included as part of the Terminal Renovations Program was a project to construct and retrofit checkpoint facilities to facilitate TSA's streamlining of the passenger screening process for the purpose of reducing wait times and to improve queuing.

Improving air service continues to be a primary focus for the City of San Antonio Aviation Department. Working with several air carriers and Mayor Edward Garza's Reach for the Sky Committee, regional community and business leaders came together for two summit meetings in 2003. They were held as part of a new, innovative way to educate the community on what it takes to attract and maintain air service and to showcase to the airline representatives an economically diversified region of over two million in population. Panels consisting of airline representatives and area economic experts generated lively and informative discussions with the attendees.

San Antonio International Airport

We have historically pursued federal and state grants to help underwrite the cost of additional security and safety measures, as well as eligible airfield infrastructure improvements, and will continue to do so in the future. The San Antonio Airport System leveraged over \$10 million in federal & state grants in fiscal year 2003 for Capital Improvement Program projects. The Passenger Facility Charge (PFC) continues to be SAT's cornerstone for financing its expansion plans.

Our partnerships with the airlines, general aviation and corporate tenants, community, and the traveling public are held in high esteem. In the coming years, we will focus on expanding capacity to meet anticipated growth at both airports and will continue to work with our community leaders and airport partners to meet their desire for efficient customer services in cost effective, world-class airport facilities.

Kevin C. Dolliole | Aviation Director



Passenger and Cargo Air Service

SAT 2003 Airline and Air Cargo Statistics

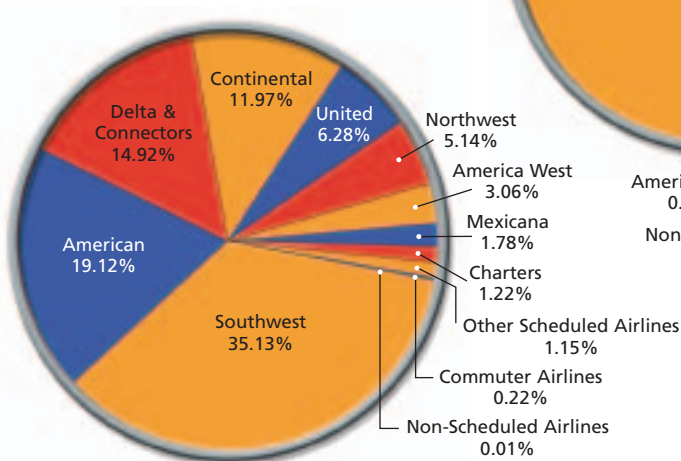
The majority of airports across the country continued to experience a decline in passenger traffic for 2003. U.S. airports were down an average of 2.7 percent when compared to annual enplanements for 2002. This is largely due to the continuing effects of the events on September 11, 2001, concern about the future of the U.S. economy and the war in Iraq. San Antonio International Airport (SAT) was no exception, with a 2.9 percent decrease in boardings for 2003 (3,250,741). However, SAT has performed better when compared to other U.S. airports since 2001. On the average, U.S. airports experienced a 7.2 percent reduction in enplaned passengers versus SAT's 5.6 percent.

Southwest Airlines continued to hold the largest market share with 35.13%, followed by American Airlines with 19.12%. Delta and Delta Connections came in with a 14.92% market share, and Continental came in at 11.97%. United, Northwest, America West and Mexicana Airlines held 6.28%, 5.14%, 3.06% and 1.78%, respectively.

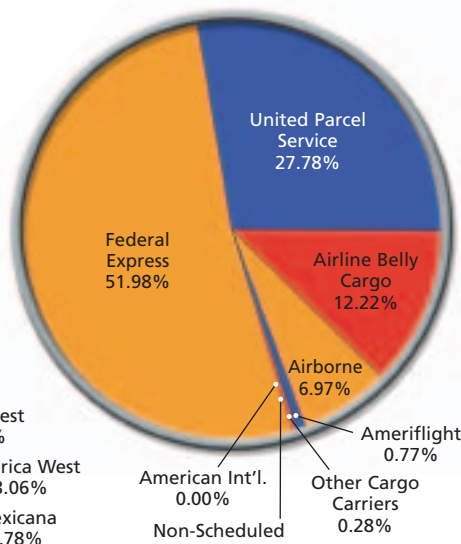
SAT's total air cargo (includes freight and mail) in 2003 was 256,734,212 pounds (down 3.82% when compared to 2002).

Integrator carriers Federal Express, UPS and Airborne shared the bulk of San Antonio's air cargo market with 51.98%, 27.78% and 6.97%, respectively. Airline-belly cargo held 12.22% of SAT's cargo market.

2003 Passenger Totals



2003 Air Cargo Totals



Continental Airlines Added Daily Nonstop Service to Cleveland

Air service at San Antonio International Airport continued to expand as Continental Airlines introduced new non-stop service from San Antonio to its Cleveland hub, effective May 2, 2003. The new flights improve access to destinations throughout the Midwest, Northeast and Canada. The new Continental Express service utilizes the fast, quiet 50-passenger ExpressJet, featuring a comfortable interior with window and aisle seating for everyone.

The San Antonio-Cleveland service complements Continental's existing San Antonio schedule, which includes daily flights to Continental's Houston Intercontinental hub and daily flights to its Newark Liberty International hub.





Mexicana Began Non-stop Flights to Guadalajara, Mexico

Mexicana Airlines is now offering new nonstop service to Guadalajara, Mexico from San Antonio International Airport. Mexicana Airlines serves the new destination with newly acquired Air Bus 319 and Air Bus 320.

Mexicana also offers daily nonstop service from San Antonio to Mexico City. Both the new Guadalajara and Mexico City service will benefit the business sector and provide connectivity to a much wider range of destinations in Mexico. Its fleet is considered one of the most modern and youngest worldwide, transporting over 8 million passengers between 53 destinations in North, Central, South America and the Caribbean.

Mexicana initiated its first flight to San Antonio on September 10, 1957. The airline has maintained uninterrupted San Antonio-Mexico City service since that beginning date.

New Non-Stop Flights to San Luis Potosi, Mexico

Aeromar returned to the San Antonio market offering non-stop flights to San Luis Potosi, Mexico. Aeromar provides service with the ATR 42, which offers the same comfort and security as a jet plane.



Mexicana Opened Executive Lounge at SAT in 2003

On February 6, 2003, Mexicana Airlines opened its new Executive Lounge, conveniently located in Terminal 1, across from Mexicana's Gate 11. Mexicana became the only carrier to have an Executive Lounge in Terminal 1.

With 16 weekly departures between San Antonio and Mexico, waiting passengers can enjoy great amenities such as delicious appetizers, snacks, a complimentary bar, a wide array of beverages and sodas, plus comfortable chairs and sofas. In addition to the amenities mentioned, the lounge offers an assorted variety of weekly, monthly and quarterly publications for one's reading pleasure.



On hand to celebrate the Executive Lounge's Grand Opening were (from left) Deputy City Mgr. J. Rolando Bono, Consul General Manager of Mexico in S.A. Carlos Vidali, Mayor Ed Garza, Executive VP of Mexicana Antonio Martinez Salinas, and Aviation Director Kevin Dolliole.

Southwest Airlines continued to hold the largest market share with 35.13%



2003 CIP Highlights

Development Plans to Expand Capacity at SAT Underway

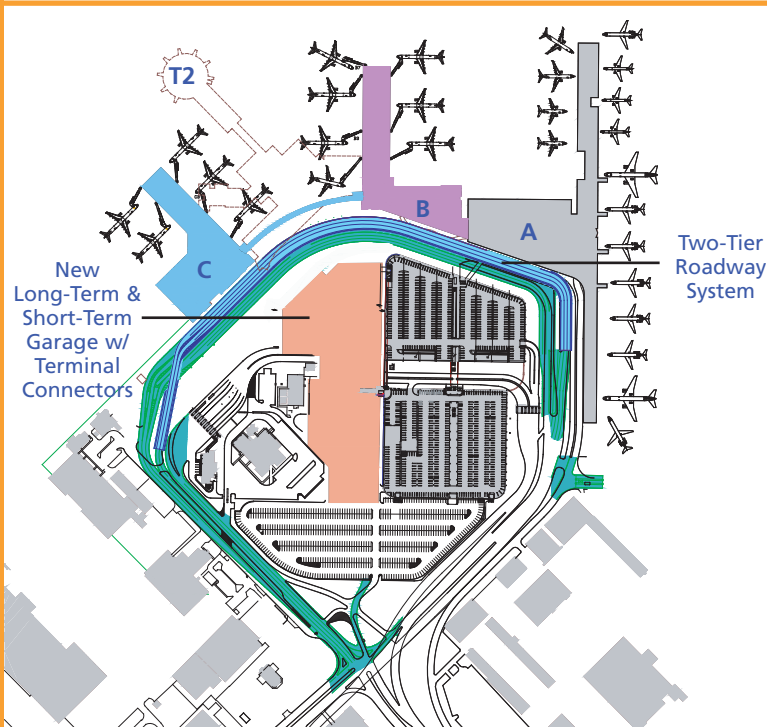
New Passenger Gates and Parking Facilities Under Design

Terminal expansion to include a seven-gate Terminal B and a five-gate Terminal C (expandable up to eleven gates) is currently under design by 3D International/Corgan Associates, Inc. Terminal B will replace Terminal 2, which is obsolete and will be demolished to make way for Terminal C, as well as further terminal development. Terminal C will be constructed in phases, as passenger growth and demand for gate facilities occur. Ground breaking for Terminal B is expected to take place in the spring of 2005.

Future requirements for vehicle parking are currently being addressed with the design of a new long-term/short-term garage. HNTB is the design architect on this project. Ground-breaking for a new five-story garage, with approximately 2,260 long-term parking spaces and 660 short-term parking spaces, is planned for the summer of 2005.

Both these projects involve extensive roadway expansion to meet new access needs and will include an extension of the Terminal 1 two-tier roadway system to accommodate traffic and passenger drop off and pick up at the new concourses. Terminal 1 will be renamed Terminal A once Terminal B is completed.

Terminal, Roadway and Garage Expansion Layout Plan



Renderings of the pick-up/drop off area, entrance and ticket lobby of Terminal B.

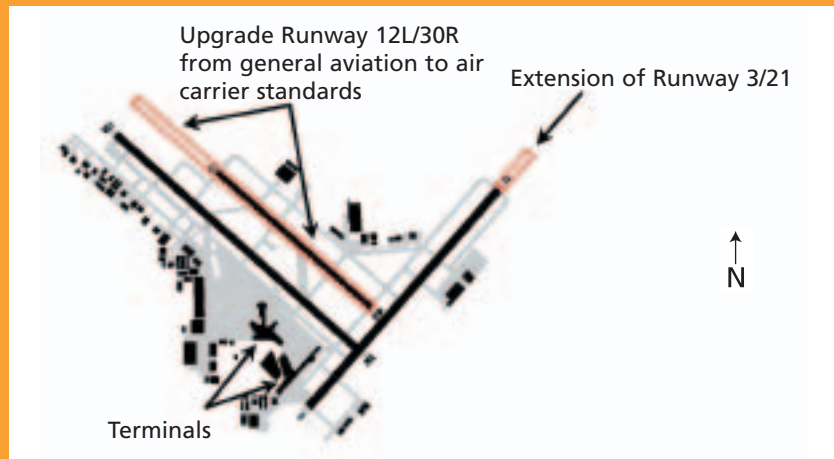
Airfield Capacity Enhancements Being Planned

In order to meet future airport capacity requirements associated with the travel requirements for a growing, economically vibrant city, the City of San Antonio completed a 20-year Airport Master Plan. It was approved by the Federal Aviation Administration (FAA) in 1998. Subsequently, the City of San Antonio Aviation Department completed a Noise Study in 2002 as part of its continuing efforts to mitigate noise impacts on airport neighborhoods. A Land Use Study, which was initiated in 2003 and is currently in process, will assist the City in planning and zoning for future developments near the airport.

These sequential initiatives have now brought the City of San Antonio to the final process before implementing airfield capacity projects. In 2003, the FAA selected Booz Allen Hamilton, Inc., to prepare an Environmental Impact Statement (EIS). The EIS will assess the environmental impacts associated with the capacity enhancing runway/taxiway expansion projects. Public involvement is ongoing throughout the project and is considered essential to the successful completion of these projects.

Airport Master Plan projects to be studied during an EIS process include:

- Extension of Runway 3/21 and Taxiways N and Q.
- Reconstruction and upgrade of Runway 12L/30R and associated taxiways from general aviation to air carrier dimensions (of approximately 8,500 feet by 150 feet), as well as the installation of an instrument landing system.



Airport Runway Plan

Environmental Impact Statement In Process

In accordance with the National Environmental Policy Act of 1969 and the Council on Environmental Quality (CEQ), completion of the EIS is a pre-requisite for implementation of any airfield improvements associated with airport capacity enhancements such as those planned for SAT.

The FAA announced its Notice of Intent to prepare an EIS in the Federal Register on February 26, 2004. The FAA Regional Office in Fort Worth, Texas is responsible for the preparation of this EIS, which is expected to take approximately two years.

In accordance with the National Environmental Policy Act (NEPA), the FAA must consider the environmental consequences of major airport development projects having the potential to significantly affect the environment prior to their approval. The FAA will be combining airfield development projects and the study of noise reduction measures into one EIS in order to consider their cumulative impacts. The EIS will be performed in three phases to coincide with key milestones – Scooping, Draft EIS and Final EIS. In addition to aircraft noise, major elements of the EIS will include evaluation of the proposed projects as they may impact air and water quality, historic and cultural resources, endangered species, wetlands, energy, natural resources and light emissions. It will also include reviewing public comments and defining alternative solutions.

Program Manager Hired to Oversee Airport Expansion

On March 6, 2003, the San Antonio City Council approved selection of Carter Burgess, Inc., to perform program management services assisting the Aviation Department in the administration of a portion of the Capital Improvement Program to include the Terminal Expansion Project, the New Parking Facilities Project and other projects, as deemed necessary to ensure timely prosecution of the work effort for major capital improvements at San Antonio International Airport.

San Antonio Airport System Leveraged Over \$10 Million in Federal & State Grants for CIP Projects

During 2003, City Council accepted federal Airport Improvement Program (AIP) grants totaling \$10,451,628 for funding various upcoming Capital Improvement Projects (CIP) at San Antonio International (SAT). A grant in the amount of \$6,231,628, which is administered through the Federal Aviation Administration (FAA), will support the following eligible projects:

- Terminal security enhancements to control and monitor movement of people and vehicles in and out of the airport's restricted areas. The purchase will include a computerized access control system and closed circuit television.
- Reconstruction of the airfield perimeter roadway system that circumscribes the interior perimeter boundary of SAT and permits security inspections and access to all areas designated for controlled aircraft movement.
- Drainage improvements along Sky Place Boulevard and Taxiway R that will replace an open channel with a box culvert and thus permit the area to be developed for the expansion of aircraft service businesses.
- A study (Environmental Impact Statement) of environmental impacts and mitigation alternatives associated with planned airfield capacity projects identified in the San Antonio International Airport Master Plan. FAA grant funding for Phase 1 was accepted by City Council September 2002. This grant in 2003 will be used to fund Phases 2 and 3.

A grant in the amount of \$4,220,000 will be used in support of the proposed Residential Acoustical Treatment Program, as approved in the FAR Part 150 Noise Compatibility Program Update. The Part 150 process identified approximately 5,100 residences that qualify for the Federal Acoustical Treatment Program. These funds are for the first year of a federally-funded, multi-year program, which is to be structured after the Pilot Program successfully completed in 2001.

In addition to AIP grants, Stinson Municipal Airport was the recipient a \$30,000 Texas Department of Transportation (TxDOT) Aviation RAMP grant, which is to be used for upkeep of historical hangars. Stinson also received a \$500,000 TxDOT Aviation Block Grant that will be used for the design portion of the proposed runway extension project contingent upon a favorable Environmental Assessment study currently underway.



(From left) Aviation Director Kevin Dolliole, Assistant Director Dom Smith, and Assistant Director Ryan Martinez.

2003 CIP Highlights (cont'd.)

All state and federally grant-funded capital projects require matching monies from the Airport System's self-generated funds.

The City of San Antonio also entered into two agreements with the Transportation Security Administration (TSA) for reimbursements up to \$425,800 for the costs associated with the use of Airport Police Officers at the SAT security screening checkpoints in each terminal. The second agreement provides up to \$120,500 for personnel and canine expenses associated with the TSA Canine Explosives Detection Program. During 2003, SAT utilized three canine teams, which provided 24-hours per day, seven days per week coverage for detection of explosive materials in the terminal baggage makeup areas and concourses, as well as at vehicle parking and cargo facilities.

2003 Construction Projects

Signage and Way Finding Improvements at SAT

On April 10, 2003, City Council approved a contract with Architectural Graphics, Inc., to implement a Signage Upgrade Project at San Antonio International. Bender

Wells Clark Design was the design consultant on the Project and was authorized to develop a completely new, enhanced way finding and informational signage packages for both the terminals and the roadway system. Work got underway in June 2003.



East Air Cargo Expansion Phase Two

Receiving federal funding assistance in 2000, the first phase of a major expansion at the East Air Cargo facility along Wetmore Road was begun in 2001. Pape-Dawson Engineers, Inc., provided engineering design and consulting services for the project. Upon completion of the work in August 2003, 485,903 square feet of apron was added to the already 1,013,432 square feet partially used by Airborne and Federal Express.

The City is working with UPS, currently operating at the West Air Cargo Facility, for preferential use of the newly-constructed apron. Additional work in Phase Two will include vehicular and ramp improvements to support the firm's planned cargo handling operations to be relocated to the East Air Cargo Facility in early 2005.



Renovations to Short-Term Garage

During August of 2003, City Council approved the first phase of a renovations project to upgrade the short-term parking garage, which was constructed in 1981. While routine maintenance has occurred during the past years, several upgrades and enhancements were necessary to increase the facility's functional and aesthetic qualities. The first phase included electrical components, lighting and ground level pedestrian access to the long-term parking garage completed in 1999. Phase one renovations to the short-term garage are expected to be complete in early 2004. Subsequent phases will include upgrades to meet ADA compliance, structural upgrades and architectural enhancements.

New signage appears both inside and out.

Customer Service Highlights

Airport Airwaves

Providing a valuable customer service, TVSA is a government access channel granted to the City of San Antonio for the purpose of cablecasting government television programming. The Communications Division within the Department of External Relations manages the channel.

TVSA programs cover a wide variety of issues. Many City departments and City agencies produce their own shows to inform and educate residents about all of the services they provide.

The City's Aviation Department, under the direction of Public Relations Manager Lisa Burkhardt-Worley, produced four "Airport Airwaves" shows in 2003. Moderated by Aviation Director Kevin Dolliole and Ms. Burkhardt-Worley, the productions provide to the general public information and updates on events and programs impacting the airport travelers. Programs include travel tips and information on new air service, what to expect in the near and long term, impacts due to construction, and airport projects and capacity expansion updates. Each "Airport Airwaves" also spotlights an airport tenant and Aviation Department employee.



Parking Enforcement Officers

Sixteen new Parking Enforcement Officers (PEOs) have joined the Aviation Department. The Parking Enforcement Officers are part of the Airport Police Section and work in conjunction with the officers to help ensure the utmost safety for passengers and employees at SAT.

The new PEOs have undergone specialized training apart from the expected airport security regulations, traffic control, TSA regulations and the like. Public relations is a large component of the PEO's role at SAT because they come into daily contact with the public while enforcing terminal curbside traffic regulations.

Due to the high frequency of public contact, the PEOs have completed special customer service training with a Field Training Officer and were evaluated based on their handling of difficult situations and their treatment of the public. The PEOs will be stationed at the curbside locations in front of both Terminals 1 and 2, as well as serve at the Center Gate parking booth.



Kevin Dolliole and Lisa Burkhardt-Worley on the set of "Airport Airwaves".

Terminal Renovations and Concession Redevelopment

Terminal Improvements – A Promise Delivered

To meet the air traveler's expectations, the City of San Antonio undertook a plan to upgrade our terminal facilities, install state-of-the-art amenities, provide new, brighter interior finishes and improve concession offerings at San Antonio International Airport (SAT).

On September 30, 2003, the stars came out (look-a-likes, that is) and joined over 200 guests to enjoy food, fun and celebration. On this date, the City held its celebration event marking the overall completion of the three-year Terminal Renovations and Concession Redevelopment Project at SAT. Speaking at the event were Mayor Ed Garza, Councilman Carroll Schubert, City Manager Terry Brechtel, and Assistant City Manager Christopher J. Brady.

"Renovating the terminal facilities was a critical step to take as the Airport is the first and last impression our visitors receive of the City. We want arriving passengers to experience the spirit of San Antonio the minute they deplane, and I think we have accomplished that," said Mayor Garza.

New Concessions Program Developed

"This Project began with the airport customer in mind," said Brechtel. "The renovations of the terminals and addition of new concessions were undertaken by the City to answer the patrons' airport needs and to improve their overall experience at San Antonio International Airport."

Work began on this Project in 1998 when the City selected Unison-Maximus, Inc. Unison worked closely with the City's Aviation Department staff to develop a comprehensive Concession Redevelopment Program for the Airport with the key objectives of:

- Improving passenger satisfaction,
- Introducing popular local and national brands to the Airport at "street pricing,"
- Improving store designs and passenger convenience,
- Increasing participation by local and disadvantaged firms, and
- Enhancing operator sales and revenue to the Airport System.

In developing the Program, Unison conducted a comprehensive passenger survey to better understand passenger needs and wants. The survey results indicated that the

key factors contributing to retail and food/beverage purchases at the Airport are price, quality of products/merchandise and convenience.

Unison presented its Concession Redevelopment Program to City Council in April 1999. The new concessions program called for expanded food and retail space by 35% and introduced a variety of new operators and products to SAT.

To improve sales and revenue at the Airport, a "street-pricing" program was implemented that requires all operators to charge prices comparable to San Antonio malls.

To improve passenger convenience, program space was shifted from predominantly pre-security locations to over 85% post-security locations, which are more convenient for the traveling public because of the focus on clearing security. Most passengers prefer to shop and dine after they've cleared security and located their boarding gates.

In Unison's survey, passengers requested a combination of recognized local and national brands. The most popular food requests were pizza, deli sandwiches, burgers, ice cream and Mexican cuisine – all of which are now available. Unison's new concessions program also projected increased revenues to the Airport System.

In October 1999, Westfield Concession Management, Inc., was hired to assist the Aviation Department in soliciting concessionaires for the new program and managing the day-to-day operations, both in the interim while new areas were under construction and after the program was fully implemented. Westfield reports that concession revenue to the Airport System is estimated to increase from the \$3 million in 2003 to \$4.57 million in 2004, after a full year of program operation.

Shops at River Landing Introduced at SAT

According to Aviation Director Kevin Dolliole, "It was important to the Aviation Department that all goals and objectives of the Terminal Renovations and Concessions Redevelopment Program Projects were accomplished. There were many promises made by the City at the start, and I am pleased to say that all have been delivered. The Shops at River Landing, the themed label of our new concessions program, offer the San Antonio traveler an exceptional shopping and dining experience."



Grand Opening festivities.



Passengers can now dine in 18 new restaurants in Terminals 1 and 2, with nine in each terminal. In Terminal 1, patrons can enjoy Blimpie Sandwiches, George Gervin's Sports Bar and Grill, Famous Famiglia Pizza and McDonald's in the concourse located to the left of the security checkpoint and Alamo City Microbrewery in the concourse to the right of security screening. The new Food Court, next to the security checkpoint, boasts Las Palapas Mexican Restaurant, Popeye's Chicken, Marble Slab Creamery and Creative Croissant. Prior to the security checkpoint, there is a Starbucks. Besides an assortment of beverages, Starbucks also offers a light food menu and desserts.



T-1 Food Court

In Terminal 2, one can find Cinnabon pre-security. In the Terminal 2 Food Court, located past the security checkpoint, there is another McDonald's, a Baskin Robbins, Quizno's Subs, Taste of Orient and Alamo Books and Café, which also offers a Seattle's Best coffee bar. In the gate area, patrons can enjoy Rosario's Mexican food or a lighter fare at Frulatti Bakery and Café. There is also another Starbucks in the gate area.

San Antonio International Airport has also added a number of new retail shops in both terminals. News and gifts stores called Alamo Extra are available in Terminals 1 and 2. In Terminal 1, before the checkpoint, travelers can utilize the Never 2 Late Business Center and City Employees Federal Credit Union. The business center offers conference room facilities, offices for rent, faxing and copying services, mailing services, and office supplies for sale. The credit union can meet members' banking needs and has a loan officer on site.



Located just past the security checkpoint in Terminal 1, are four new shops: Swatch Watch, Texas Executive (leather goods), Celebration of Golf, and Stars of



Some of the new shops at River Landing.



San Antonio (souvenirs). There is also a bookstore called Simply Books with a Starbucks located past security.

In Terminal 2, keepsakes from San Antonio can be found at Native Texan located in the Food Court. Patrons can take away Texas spices and cookbooks by shopping at Texan Accent in the gate area. Landing Gear clothing shop, located just past the Food Court on the way to the gates, offers a selection of casual women's apparel items.

Throughout the terminals, Clear Channel Airports has integrated advertising dioramas and creative wall wraps that complement the new decor.

SAT Takes Home ARN 2003 Best Concessions Poll Award

With SAT's implementation of its major new concessions program, the Airport was recognized by the Airport Revenue News' 2003 Best Concessions Poll. SAT's concessions program was voted for by a panel of judges in the airport category with less than 4 million enplanements. On the concessionaire side, several of SAT's currently operating businesses and proposed new businesses were voted on in the 2003 ARN Poll.

SAT tied with Norfolk International Airport for 1st place in the less than 4 million enplanement category for the "Airport with the Most Innovative Services." This award is given to the airport that has responded best to passenger demands for convenient, high-tech business services such as high speed



Terminal Renovations and Concession Redevelopment (cont'd.)



Terminal 1 - Never 2 Late Business Center

fax and internet, wireless capabilities, conference rooms, business service centers and/or other business amenities, which SAT provides to its traveling public through its concessionaire “Never 2 Late Business Centers”.

In the same airport category, SAT was also the 2nd place winner for the airport with the “Best Concessions Program Design.” This award is given to airports that have the most accessible and visible concessions program to a

majority of passengers; a layout that promotes a retail-friendly environment; reflects a distinctive theme; and has an overall attractive appearance.

The Aviation Department and Westfield Concession Management executed the new program with a variety of both national and local concessionaires, all of which host a San Antonio themed architectural design.

“This type of national recognition and featured spot in the ARN magazine shows us the fruits of our labors in achieving an excellence in concessions offerings and customer service at SAT,” says Kevin Dolliole, aviation director.

SAT’s concessionaires also took home awards in the 2003 Best Concessions Poll. Famous Famiglia won 1st place in the small company category for “Best New Food and Beverage Concept” and “Food Operator with Highest Regard for Customer Service.” Famous Famiglia also tied for 2nd place in the small company category for “Best Airport Food and Beverage Operator.” Rosario’s Cantina, managed by HMS Host, came in 2nd place in the large company category for the “Best New Food and Beverage Concept” and shared 3rd place for “Best Airport Restaurant Design.”



Upgrades to Terminals Introduce a San Antonio Theme

“Another goal of the renovations plan was to create a unique airport experience that celebrates San Antonio’s energy, diversity, culture and architectural style. The newly renovated terminal facilities not only provide more conveniences, but also provide travelers an introduction by way of architectural enhancements to various cultural

Famous Famiglia



The newly renovated passenger ticket area in Terminal 1.

and site features that only San Antonio and the south Texas region have to offer its visitors,” said Dolliole.

To realize the overall goals set out for the Terminal Renovations Program, City Council awarded a contract to San Antonio-based Durand-Hollis Rupe Architects on June 29, 2000. Joining the design effort, Marmon Mok brought to the team its long history of almost 25 years of experience in facility development at San Antonio International Airport.

Various construction projects, intended to upgrade the facilities and reconfigure, as well as expand the food, beverage and retail concession areas in both Terminals 1 and 2, were initiated during 2001. Although more extensive renovations to Terminal 2 were initially considered, plans were drastically scaled back with the City’s decision to move forward on the Terminal Expansion Project. Terminal expansion would make it necessary to demolish Terminal 2. Accordingly, only life safety issues, as well as new concessions and customer services similar to those planned for Terminal 1, were implemented. Renovations to accommodate the new concessions program in Terminal 2’s Food Court and gate areas were completed in September 2002 and marked with a grand opening ceremony last year.

Renovations to Terminal 1 include new carpet and terrazzo flooring in the concourse and passenger holding areas at the gates, as well as the ticket lobby and baggage claim areas. The passenger waiting and concourse areas were also given a new high-tech appearance using brushed stainless steel metal on the ceilings, walls



The newly renovated passenger waiting area in Terminal 1.

and wrapped columns. To make the terminal brighter, lighter colors were selected, and new lighting fixtures were installed in the concourse and ticket lobby.

San Antonio and South Texas architectural features and materials (limestone and colorful tiles) were used throughout the facilities, but especially in the retail and food establishment storefronts. A San Antonio River Walk theme, with umbrella-like light fixtures, flowing water designs in terrazzo floors and a water feature that is designed to emulate the spill dam found in Brackenridge Park, was installed in and around the main Food Court in Terminal 1.



MUFIDS

New technologies such as the Multi-User Flight Information Display System (MUFIDS) have been installed. The Terminal 1 structure was also expanded to add 8,754 square feet for use as new concessions space and to enlarge the passenger waiting areas at Gates 8 and 9.

Renovated Baggage Claim Area in T-1



Artistic Enhancements

San Antonio and South Texas are defined as much by their history as by their festive culture, events, and places. To capture the region's very interesting cultural mix, as well as its uniqueness, the City commissioned internationally recognized San Antonio artist Cesar Martinez to design distinctive portals in the concourse at 12 airline gates in Terminal 1.

As arriving passengers step off their plane, they will enter into one of 12 canopy-like structures designed by Mr. Martinez. The portals are supported by four columns and complemented in design theme by coordinating terrazzo floor areas. The multi-faceted portal artworks feature glass/ceramic photographic tile murals bordered by columns with tile and silk-screened or etched design metal treatments. Each column has unique tile designs that relate back to the photographic murals, as well as metallic collars that occur at the bases.

Visitors to the City will also experience their first walk along the San Antonio River at Terminal 1's main food and retail concession area. Los Angeles-based artist May Sun was commissioned by the City to develop a concept that ties the concourse and central food and retail court areas with the imagery that depicts the natural environment of the San Antonio River. Ms. Sun's visuals of a lush riverbed, its wildlife and vegetation have been integrated into a wonderful floor design that has been created using the terrazzo technique. The incorporated natural patterns, colorful hues and detailed imagery give the floor an artistic natural feel not normally found in typical floor treatments.

Cesar Martinez and May Sun have designed innovative design enhancements that for years to come will welcome visitors to the San Antonio International Airport and introduce them to San Antonio's history, arts and culture.



"Japanese Sunken Garden" Portal by Cesar Martinez in Terminal 1, Gate 12



May Sun's San Antonio River Floor Design



Tenant Highlights

Aero Sky Received Approval for Planned Expansion at SAT

The City continues to see the fruits of its objectives to grow the Aerospace Industry in San Antonio. On May 29, 2003, Aero Sky, a heavy maintenance FAA Approved Repair Station located at San Antonio International Airport (SAT), received City Council approval for a 25-year lease.

On the occasion of its new lease, Aero Sky unveiled future plans for a \$4.26 million investment, which will encompass a new 83,200 square-foot hangar and ramp, a parking lot, and a new 40,000 square-foot maintenance facility. The plans also include the demolition of more than 41,000 square feet of older existing buildings.

Aero Sky provides heavy maintenance and interior refurbishment services for overseas air carriers including VIP and commercial aircraft. Aside from heavy checks and modifications on B727, 737, DC9 and MD80 series aircraft, Aero Sky performs routine and non-routine maintenance on Boeing, Airbus, BAC1-11, Cessna Citation and Lear Jet aircraft. Aero Sky has been performing line maintenance for airlines such as Delta, America West, Express One and DHL at San Antonio International since 1993.



SAT Welcomed M7 Aerospace in 2003

M7 Aerospace LP became the newest name on the San Antonio International Airport on April 1, 2003 when it took over operational control of the combined assets of three functioning former Fairchild subsidiaries, Merlin Express, Metro Support Services, and Gen-Aero, as well as the assets of Dornier Aviation (North America) (DANA).

M7 was awarded the Fairchild assets by a Federal bankruptcy court in San Antonio in December 2002. In February of 2003, M7 Aerospace was additionally awarded the assets of Dornier Aviation (North America) (DANA) by a federal bankruptcy court in Alexandria, Virginia.

M7 has consolidated the assets of these operating companies into a single organization with four business lines: Parts and Customer Support; a Repair Station; Government Programs; and Manufacturing. The Parts and Customer Support business serves the operators of Dornier 328 turboprop and jet regional airliners, as well as the operators of Fairchild Metro and Merlin turboprop aircraft. M7's Repair Station, which formerly operated under the name Gen-Aero, caters primarily to regional airliners, with an initial focus on Fairchild Metros, Dornier 328s and Embraer 135 series regional jets.

The Government Program unit of M7 Aerospace holds an on-going contract with the U.S. government to provide contractor logistics support. M7 is actively working to win additional aerospace support contracts. In addition, M7 is in discussions with several major aerospace manufacturing companies to secure added work in its manufacturing facilities.

As a consequence of the Fairchild Dornier bankruptcy, M7 began operations with approximately 200 employees and will use the acquired assets as a launch platform for future growth.

On the occasion of its new lease, Aero Sky unveiled future plans for a \$4.26 million investment.

San Antonio Aerospace

The City of San Antonio welcomed San Antonio Aerospace LP, a subsidiary to Vision Technologies Aerospace (a division of Vision Technologies Systems Inc. in Alexandria, Virginia) to its growing aerospace industry cluster. The parent company of Vision Technologies is Singapore Technologies Engineering.

Vision Technologies Aerospace (VT Aero) d.b.a. San Antonio Aerospace LP, specializing in repair and maintenance of planes for airlines and cargo carriers, submitted a successful bid of \$14.2 million to buy the assets of Dee Howard Aircraft Maintenance. Dee Howard Aircraft Maintenance was a long time (38 years) San Antonio International Airport-based maintenance firm that beginning in February 2002 operated under Chapter 11 bankruptcy protection. Dee Howard hit on hard times after September 11, when airlines began grounding their older planes and putting off maintenance.

VT Aero uses the 40-acre facility at San Antonio International Airport, with almost six hundred thousand (600,000) square feet of hangar and shop space, to expand its on going maintenance and aircraft conversion business. VT operates similar repair facilities in Dallas, Texas and Mobile, Alabama, which together employ 1,700 people.

San Antonio Aerospace 40-acre Facility at SAT.



New Car Rental Contracts Approved

On June 19, 2003, City Council approved eight new car rental concession agreements at San Antonio International Airport. Contracts were awarded to Hertz, Avis, Alamo/National, Dollar, Budget, Enterprise, Advantage and Thrifty. Minimum Annual Guarantees and counter rentals paid to the City are expected to exceed \$5.6 million annually. The term of these agreements is for a five-year period ending June 30, 2008.



Stinson Municipal Airport Highlights

Stinson Municipal is owned and operated by the City of San Antonio through its Aviation Department. Stinson is the second oldest, continuously operating general aviation airport in the country and is the designated reliever airport for San Antonio International Airport.

Stinson Municipal Airport Receives Awards



(From left) Assistant Director Ryan Martinez, Airport Manager Tim O’Krongley, Aviation Director Kevin Dolliole, and Administrative Assistant Beatrice Valdez.

The Texas Department of Transportation Aviation Division named Stinson Municipal Airport the “2003 Reliever Airport of the Year” and Stinson Manager Tim O’ Krongley, A.A.E. “2003 Reliever Airport Manager of the Year”. The awards were announced at the March 20, 2003 Texas Aviation Conference Banquet and Awards Ceremony, held in Austin, Texas.

Tim O’Krongley has been with Stinson as Airport Manager since October of 1998. “This award really belongs to the

City of San Antonio team of which the Aviation Department is part of and to the outstanding tenants doing business at Stinson,” said O’ Krongley.

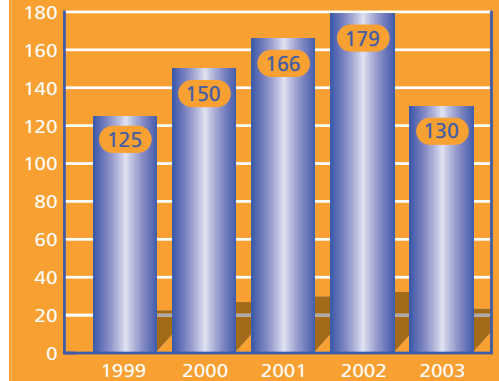
“This recognition as ‘2003 Reliever Airport of the Year’ is a great honor for the San Antonio Airport System and is a tribute to our strong team of employees,” added Aviation Director Kevin Dolliole. “This is especially significant following last year’s FAA award naming San Antonio International Airport ‘2001 Outstanding Texas Airport.’ I am pleased Tim O’Krongley has also been honored; he has been doing a

great job as manager of the Stinson Municipal Airport and is deserving of the Manager of the Year Award.”

Since 1998, Stinson has experienced over a 100% increase in the number of based aircraft at the airport and continues to accommodate a large number of aircraft operations. Because of its growth, the Texas Department of Transportation Aviation Division has approved grant funds for various projects at Stinson.

(\$30,000 RAMP grant and \$500,000 Aviation Block Grant – see page 6 for details.) With Aviation Department funds, Stinson also has plans to build a new facility that will give the airport additional administrative offices, classrooms and conference rooms to accommodate and attract new businesses. Stinson Municipal Airport has recently completed its Master Plan that will set the groundwork for future development.

Stinson Municipal Airport
Flight Operations 1999-2003
(Thousands of landings and takeoffs)



Existing Stinson Administration Building and rendering of new plans.



SAT Noise Mitigation Initiatives

GRE – A Success Story

In May of 2002, San Antonio International Airport (SAT) completed the construction of a \$3 million Ground Run-up Enclosure (GRE), which was built using federal and SAT self-generated funds in order to mitigate aircraft engine testing noise impact on surrounding neighborhoods and facilitate the Airport's growing aircraft maintenance and repair business.

The five-sided, open-roofed structure, which was built by Vital Link Inc., of Sealy, Texas, occupies 1.9 acres near the center of the Airport. The walls, constructed with acoustical panels, stand 28 feet high. The structure is large enough to accommodate a 747, Boeing's largest commercial aircraft.

The GRE required an acoustic warranty to provide a noise reduction of 13 dBA. The GRE reduced engine run-up noise, from a B-727-200, by 16.3 dBA at 400 feet during its testing period. An additional aerodynamic warranty was required in order to provide a full year of aircraft usability at least 80% of the time. So far, the facility has had a usability of 95% or greater. This has exceeded all expectations.

From September 1, 2002 to September 30, 2003, San Antonio International aircraft maintenance and repair businesses utilized the GRE for 1,347 run-ups. A variety of aircraft sizes and types were tested in the facility during this period, averaging 3.6 run-ups per day. The total number of hours that the GRE was used came to 1,513.22, with an average 1.12 hours per run-up.

Providing a 24-hour facility to accomplish engine run-ups has not only had a positive impact on neighborhoods around the Airport, but it has also helped SAT provide its aircraft maintenance and repair businesses a facility in which to perform required engine testing run-ups. A win-win for all!



Aircraft Noise and Operations to be Monitored/Correlated for Analysis

On October 2, 2003, City Council awarded a contract in the amount of \$838,600.00 to Rannoch Corporation for the installation of a Noise and Operations Monitoring System (NOMS) at San Antonio International Airport. Federal Airport Improvement Program (AIP) grant funds will pay for 80% of the NOMS project, with the balance being provided by Airport system self-generated monies.

The NOMS is composed of two main systems: noise monitoring and flight operations monitoring. By correlating noise levels to specific aircraft operations tracked through a central computerized data collection system, the NOMS will facilitate detailed event analysis and noise compliance investigations by the City's Aviation Department Noise Mitigation Office.

Twelve permanent monitors will be strategically located around SAT to record noise levels on a 24-hour basis. Two portable noise monitors and one portable vibration monitor will be used to conduct site-specific investigations. The NOMS will closely track aircraft noise exposure in and around particular Airport area neighborhoods or homes and allow the Aviation Department to monitor and implement current and future noise abatement measures. Installation of the NOMS will be completed in 2004.



Noise Monitor

Airport Area Land Use Compatibility

On June 19, 2003, City Council approved a contract with Llewelyn-Davies Sahnii in the amount of \$467,871.00 to provide planning services in connection with a Land Use and Development Study. Funded in part (80%) by a federal AIP grant as part of the 1991 Noise Compatibility Program, this Study will establish guidelines for managing compatible land uses in areas surrounding the San Antonio International (SAT) and Stinson Municipal Airports.

This Study, which is to be based on existing airport/airfield configurations, includes a public involvement process which began in the first quarter of 2004.

Runway Departure Procedure Signage Installed

The Noise Abatement Departure Profile Procedure (NADP) testing identified that for the most part, airlines are already using some form of noise abatement departure profile for operations at the San Antonio International Airport. At a minimum, it was to recommend that air carriers be encouraged to continue the use of such procedures. Based on a review of results during the departure testing period, it appeared that some benefits could be obtained by requesting airlines to use the close-in NADP for departures on Runway 12R and Runway 30L, and to continue using their standard noise abatement departure procedures for departures on Runway 3 and Runway 21. In other words, an air carrier that used the distant NADP as their standard procedure would be asked to use a variation only for departures on Runway 12R and Runway 30L. Therefore, the existing airfield signs were modified at the approach ends of Runway 12R and Runway 30L to request that the air carriers use the close-in departure procedure.



San Antonio Airport System Financial Highlights

The Airport System consists of San Antonio International Airport and Stinson Municipal Airport. The Airport System is financially self-sufficient. It receives no tax revenue or support from the City's General Fund. All income to the Airport System is derived from rentals and fees for the use of airport facilities and services. Any income earned that exceeds annual operating and debt service (payment of Airport bonds) expenses is reinvested in the new airport facilities.

For the fiscal year ending September 30, 2003, gross revenues totaled \$43,879,399, which represented a 3.6% increase over the prior year. A further reduction in passengers resulting from the lingering effects of September 11, 2001, as well as a slow economy directly impacted airport revenues (e.g. parking fees). The three most significant revenue sources to the Airport System include the airlines at \$15,529,368 (35% of total), parking fees at \$10,692,453 (24% of total) and concession revenues at \$10,063,281 (23% of total). Overall, non-airline revenues represented 65% of total revenues for FY 2003.

On the expenditure side, operating and maintenance expenses increased from \$22,536,912 to \$25,778,638, or 14.4%. The increase in operating expenditures resulted from a combination of factors. Significant increases were incurred in security costs, utilities, liability insurance and health coverage. Although there was a large jump in expenditures for FY 2003, over the last two years, the average annual increase in operating costs was a more modest 3.9%. Overall, net revenues decreased 8.7% from \$19,830,465 to \$18,100,761.

Refunding of Airport Bonds

In order to take advantage of lower interest rates, on March 20, 2003, approximately \$11,615,000 in 1992 San Antonio Airport Revenue bonds were refunded in order to reduce the cost of interest. The transaction involved the issuance of new bonds at a low interest rate and utilization of the proceeds to retire the 1992 bonds, which were at a higher interest rate. It is estimated that a savings of \$754,000 was achieved through the bond refunding. The cost savings strengthens the financial position of the San Antonio International Airport, lowers the cost to the airlines and increases the amount of funds available for capital improvements. Through the process, the Airport also retained its high bond rating from the three (Fitch, Moody's, Standard & Poors) national credit rating firms.

Comparative Statement: Gross Revenues and Expenses

	Fiscal Years Ended September 30		
	FY2002	FY 2003	% CHG
GROSS REVENUES			
Airline Revenues			
Landing Fees	\$ 5,375,191	\$ 5,190,254	-3.4%
Terminal Rentals (less refund)	7,356,693	9,414,927	28.0%
International Passenger Fees	629,994	546,374	-13.3%
Ramp Fees	366,875	377,813	3.0%
Subtotal Airline Revenue	\$ 13,728,753	\$ 15,529,368	13.1%
Non-Airline Revenues			
Property Leases	\$ 6,182,371	\$ 5,815,767	-5.9%
Parking Fees	10,400,762	10,692,453	2.8%
Concession Revenues	9,297,542	10,063,281	8.2%
Stinson Airport	170,611	218,103	27.8%
Other Revenues	2,587,338	1,560,427	-39.7%
Subtotal Non-Airline Revenue	\$ 28,638,624	\$ 28,350,031	-1.0%
Total Gross Revenue	\$ 42,367,377	\$ 43,879,399	3.6%
OPERATING & MAINTENANCE EXPENSES			
Airfield Area	\$ 1,384,797	\$ 1,462,906	5.6%
Service Area	276,994	390,988	41.2%
Terminal 2	1,896,570	2,246,782	18.5%
Terminal 1	2,477,144	3,083,014	24.5%
Fire & Rescue	2,279,735	2,916,359	27.9%
Access	515,225	506,465	-1.7%
Central Plant	479,854	552,896	15.2%
Commercial & Industrial	66,113	88,479	33.8%
Other Buildings & Area	66,187	71,911	8.6%
Parking	2,114,736	2,252,436	6.5%
Stinson Airport	395,895	457,247	15.5%
Administration	4,426,651	4,811,478	8.7%
Maintenance, Direction & Control	1,021,655	1,046,729	2.5%
Security	2,648,694	3,093,846	16.8%
Operations	1,693,149	1,743,668	3.0%
Common Services	793,511	1,053,434	32.8%
Total Operating & Maintenance Expense	\$ 22,536,912	\$ 25,778,638	14.4%
Net Revenues*	\$ 19,830,465	\$ 18,100,761	-8.7%

* Net revenues are utilized to pay debt service and fund airport capital projects.

Key Financial Measures

Depicted below are some key financial measures which cover the period from FY 1999 through FY 2003. Financial performance is measured by dividing significant airport fiscal operations by the number of enplaned passengers for a given year. The following are the components to the Airport revenue and expenditure categories:

Airline Cost

includes aircraft landing fees, aircraft ramp parking fees, terminal building rentals and the international passenger processing fee.

Airline Cost per Enplaned Passenger



Retail Concessions

includes food and beverage outlets, gift and news shops, specialty retail shops and passenger services.

Retail Concession Revenue per Enplaned Passenger



Parking revenue

includes fees derived from employee and public parking facilities.

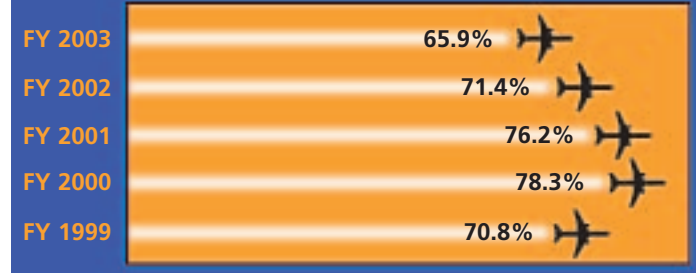
Parking Revenue per Enplaned Passenger



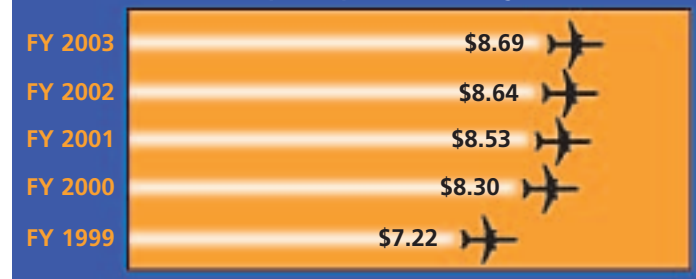
Non-Airline revenue

includes retail concessions, airport parking, lease of City-owned land and hangars to aircraft service companies, lease rentals from air cargo operators, interest income and administrative fees.

Non-Airline Revenue as a Percent of Total



Non-Airline Revenue per Enplaned Passenger



Operating revenue

includes rentals and fees paid by the airlines, as well as all non-airline revenues.

Operating Revenue per Enplaned Passenger



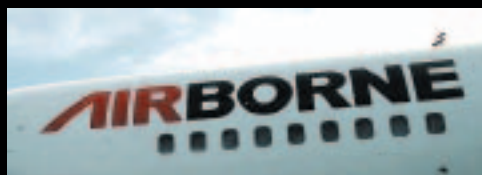
Operating expense

includes the cost of operating and maintaining City-owned airport property, excluding depreciation of assets and debt service expenses.

Operating Expense per Enplaned Passenger



E X P E R I E N C E



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